

INSURANCE QUICK REFERENCE GUIDE

Transactions with an Application Dated Prior To June 1, 2024

COVERAGE REQUIREMENTS			
SFR	PUD PROJECTS	CONDO PROJECTS	
<p>Standard Coverage Requirements</p>	<p><u>FNMA/FHMLC, Jumbo</u> Insurance coverage can be determined by either the property insurer or by utilizing the appraisal's "Total Estimate Cost" Coverage equal to the lesser of the following is required:</p> <ul style="list-style-type: none"> ✓ Dec page indicates Guaranteed Replacement Cost, Full Replacement Cost or 100% Replacement Cost coverage, OR ✓ If the insurable value/Cost Estimate is less than the loan amount: <ul style="list-style-type: none"> ❖ 100% of the insurable value/cost estimate is the amount of the required coverage, OR ✓ If the insurable value/cost estimate is greater than the loan amount: <ul style="list-style-type: none"> ❖ Calculate 80% of the insurable value/cost estimate: <ul style="list-style-type: none"> ➢ If 80% of the insurable value/cost estimate is greater than the loan amount then 80% of the insurable value/cost estimate is the amount of the required coverage, or ➢ If 80% of the insurable value/cost estimate is less than or equal to the loan amount, then the loan amount is the required coverage <p>NOTE: "No Appraisal" refinances, files with a 2075 or 2055, coverage equal to the loan amount is acceptable</p> <p><u>Access</u> Coverage must, at minimum, be equal to:</p> <ul style="list-style-type: none"> ✓ Replacement cost coverage (or similar verbiage) as stated on the Declarations page, OR ✓ 100% of the insurable value of improvements as established by the insurer or as determined from the appraisal <p><u>Renovation Loans (203k / HomeStyle)</u></p> <ul style="list-style-type: none"> ✓ Standard insurance coverage requirements apply based on product type; HomeStyle follow FNMA, 203k loans follow FHA ✓ Refinance transactions require documentation the insurance company is aware of the renovation work being completed <p><u>All Other Products (FHA/VA/USDA)</u> Adequate insurance coverage for all other products would be the lesser of the following:</p> <ul style="list-style-type: none"> ✓ Total loan amount, OR ✓ Total estimate cost-new from appraisal, OR ✓ 100% replacement cost, OR ✓ Cost estimator from insurance company showing maximum insurable value <p><u>Hurricane/Wind/Hail: (All Programs)</u></p> <ul style="list-style-type: none"> ✓ If declaration page does not specifically exclude hurricane, wind, or hail: The policy IS acceptable ✓ If declaration page specifically excludes hurricane, wind, or hail: The policy is NOT acceptable 	<p><u>FNMA/FHMLC, Jumbo, Access</u> Requirements vary based on program and property type as detailed below.</p> <ul style="list-style-type: none"> • Property Coverage: Attached/Semi-Attached Units: <ul style="list-style-type: none"> ✓ Blanket Master with 100% Replacement Cost for units and common areas <p style="text-align: center;">OR</p> ✓ Individual policy covering the unit (follow SFR requirements for individual property coverage when unit is not included in the Master Policy), <p style="text-align: center;">AND</p> ✓ The HOA master policy is required to document common area buildings are covered. If no common buildings Master Policy not required. The HOA or appraiser must address and this must be noted in the loan file • Property Coverage: Detached SFR <ul style="list-style-type: none"> ✓ Individual policy covering the SFR (follow SFR requirements for individual property coverage) ✓ Validation of HOA Master Policy not required <p><u>FHA/VA/USDA</u></p> <ul style="list-style-type: none"> ✓ Individual policy covering the unit required (follow SFR requirements for individual property coverage) ✓ Validation of HOA Master Policy not required <p><u>All Programs</u></p> <ul style="list-style-type: none"> • Project Liability Coverage: <ul style="list-style-type: none"> ✓ Not required for PUD projects <p><u>Tips</u></p> <ul style="list-style-type: none"> • Property coverage must be on the appropriate form (i.e. property coverage on a property policy) • Master policies – 100% replacement coverage is assumed, unless otherwise indicated 	<p><u>All Programs (subject to individual notes below)</u></p> <p>Property Coverage</p> <ul style="list-style-type: none"> ✓ Master Policy with 100% Replacement Cost, OR ✓ Guaranteed Replacement Endorsement <p>Project Liability Coverage</p> <ul style="list-style-type: none"> ✓ \$1M liability <ul style="list-style-type: none"> ❖ Fannie Mae/Freddie Mac Full Review/FHA/VA/USDA: \$1M liability required ❖ Exception to the above \$1M requirement: <ul style="list-style-type: none"> ➢ 2-4 unit projects that do not maintain commercial general liability insurance and meet all of the following will not require \$1M liability: <ul style="list-style-type: none"> • The project is horizontal (no vertical/stacked units), and • Evidence the project does not contain any common elements that would require liability insurance (no pool, spa, gym, etc.), and • The HOA's legal documents do not require general liability policy in the name of the HOA ❖ Fannie Mae/Freddie Mac Limited/Streamlined Review: Verification of \$1M coverage not required <p><u>HO-6 Coverage (not required on FHA Streamlines)</u> Required unless Master Policy includes "walls in" coverage</p> <ul style="list-style-type: none"> ✓ The coverage amount, determined by the insurer, must be sufficient to repair the condo to its condition <u>prior</u> to the loss claim event (not an option for USDA loans) ✓ USDA loans only: 20% of the appraised value is required <p>NOTE: Policy must clearly indicate it is an HO-6 policy and/or include "Walls In" coverage and can't exclude improvements or betterment coverage</p> <p><u>Fidelity/Crime Coverage (Projects with more than 20 units only)</u></p> <ul style="list-style-type: none"> ✓ Fannie Mae/Freddie Mac Full Review, FHA/VA/USDA: <ul style="list-style-type: none"> ❖ 3 months HOA dues for all units (Monthly dues x 3 x units) ❖ Hawaii Only – Maximum coverage is \$500 per unit, provided the total coverage is not less than \$20,000 and not greater than \$200,000 ✓ Fannie Mae/Freddie Mac Limited/Streamlined Review: Verification not required regardless of the number of units) <p><u>Tips</u></p> <ul style="list-style-type: none"> ✓ Property and liability coverage must be on the appropriate form (i.e. property coverage on a property policy and liability coverage on a liability policy) ✓ Master policies – 100% replacement coverage is assumed, unless otherwise indicated <p>NOTE: Detached Condos/Site Condo's follow SFR requirements for individual unit coverage and require 100% replacement cost for common areas</p>

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Maximum Deductible	<p>Property insurance deductibles are subject to:</p> <ul style="list-style-type: none"> ✓ 5% of the face value of the policy, including any separate or endorsement policy (excluding USDA) ✓ USDA: The deductible is limited to the greater of: 1% of the policy amount, \$1,000, or the minimum deductible offered by the borrower's insurance provider <p style="text-align: center;">NOTE: If the minimum deductible option applies written documentation or verbal certification from the insurance provider confirming the insurance provider's minimum deductible required and must be included in the loan file</p>			
Flood Insurance Requirements Reminder: Loans with flood insurance require an escrow/impound account – no exceptions	<p>Flood insurance requirements apply to all Homebridge programs: FNMA/FHLMC/government/Jumbo AUS/Jumbo Elite/Access (see exception for maximum allowable deductible noted for USDA)</p> <p>An application is acceptable for a new policy provided the policy is paid in full or premium collected at close</p> <p>The amount of coverage must equal the lesser of:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top; padding: 5px;"> <p>Property Coverage</p> <ul style="list-style-type: none"> ✓ 100% of the Cost Estimate, OR ✓ The maximum amount allowable by FEMA \$250,000, OR ✓ Loan amount (unpaid principal balance) <p>NOTE: Private flood insurance is eligible on FNMA, FHLMC, FHA (with a Note dated 12/21/22 or later), VA, USDA, Jumbo AUS, Jumbo Elite, and Access. Private flood must meet the applicable Agency requirements for private policies:</p> <ul style="list-style-type: none"> • Jumbo Elite, Jumbo AUS, and Access must meet FNMA private flood insurance requirements • FHA must meet HUD Mortgagee Letter 2022-18 private flood requirements <p>Properties in Coastal Barrier Resource Systems (CBRS): Fannie Mae/Freddie Mac only (ineligible on FHA, VA, USDA, and Jumbo transactions):</p> <p>Property located in a Coastal Barrier Resource System or Otherwise Protected Area (OPA) require the following:</p> <ul style="list-style-type: none"> ✓ Flood insurance that meets FNMA/FHLMC is required. The policy may be from the National Flood Insurance Program (NFIP) or from a private insurance carrier. ✓ If the property is in a non-participating CBRS or OPA it cannot be in a Special Flood Hazard Area (SFHA) <p>Freddie Mac specific:</p> <ul style="list-style-type: none"> ✓ If the loan is secured by a property that is subject to coastal tideland, wetland, or setback laws/regulations that prevent the rebuilding or maintenance of the property if they are damaged or destroyed, the loan is ineligible. </td> <td style="width: 50%; vertical-align: top; padding: 5px;"> <p>Maximum Deductible</p> <ul style="list-style-type: none"> ✓ 1-4 Units - \$10,000 ✓ PUD - \$25,000 ✓ Condo - \$25,000 ✓ USDA ONLY: Deductible limited to the greater of: 1% of the policy amount, \$1,000, or the minimum deductible offered by the borrower's insurance provider <p>NOTE: If the minimum deductible option applies, written documentation or verbal certification from the insurance provider confirming the insurance provider's minimum deductible required and must be included in the loan file</p> </td> </tr> </table>		<p>Property Coverage</p> <ul style="list-style-type: none"> ✓ 100% of the Cost Estimate, OR ✓ The maximum amount allowable by FEMA \$250,000, OR ✓ Loan amount (unpaid principal balance) <p>NOTE: Private flood insurance is eligible on FNMA, FHLMC, FHA (with a Note dated 12/21/22 or later), VA, USDA, Jumbo AUS, Jumbo Elite, and Access. Private flood must meet the applicable Agency requirements for private policies:</p> <ul style="list-style-type: none"> • Jumbo Elite, Jumbo AUS, and Access must meet FNMA private flood insurance requirements • FHA must meet HUD Mortgagee Letter 2022-18 private flood requirements <p>Properties in Coastal Barrier Resource Systems (CBRS): Fannie Mae/Freddie Mac only (ineligible on FHA, VA, USDA, and Jumbo transactions):</p> <p>Property located in a Coastal Barrier Resource System or Otherwise Protected Area (OPA) require the following:</p> <ul style="list-style-type: none"> ✓ Flood insurance that meets FNMA/FHLMC is required. The policy may be from the National Flood Insurance Program (NFIP) or from a private insurance carrier. ✓ If the property is in a non-participating CBRS or OPA it cannot be in a Special Flood Hazard Area (SFHA) <p>Freddie Mac specific:</p> <ul style="list-style-type: none"> ✓ If the loan is secured by a property that is subject to coastal tideland, wetland, or setback laws/regulations that prevent the rebuilding or maintenance of the property if they are damaged or destroyed, the loan is ineligible. 	<p>Maximum Deductible</p> <ul style="list-style-type: none"> ✓ 1-4 Units - \$10,000 ✓ PUD - \$25,000 ✓ Condo - \$25,000 ✓ USDA ONLY: Deductible limited to the greater of: 1% of the policy amount, \$1,000, or the minimum deductible offered by the borrower's insurance provider <p>NOTE: If the minimum deductible option applies, written documentation or verbal certification from the insurance provider confirming the insurance provider's minimum deductible required and must be included in the loan file</p>
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Policy Period	<ul style="list-style-type: none"> ✓ Annual policy required ✓ Purchase – Requires a minimum of 10 months remaining at time of funding ✓ Refinance – Requires a minimum of 60 days remaining at time of funding ✓ Master Policy (Condo/attached PUDs) – Requires a minimum of 14 days remaining at time of funding 			
Paid Receipt	<ul style="list-style-type: none"> ✓ All policies must be paid in full or paid at close (current policy and renewal policy, when required) ✓ Fannie Mae/Freddie Mac Refinance transactions (insurance not escrowed): <ul style="list-style-type: none"> ❖ Policies where the premium is paid monthly or on a payment plan must be current at closing. The policy is not required to be paid in full or paid at close <ul style="list-style-type: none"> ▪ To ensure the policy is current at closing: If the policy reflects a payment is due confirmation the payment has been made is required or if the policy is unclear if a balance due, the insurer must provide written or verbal confirmation that the policy is current 			

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Insured Name & Property Address	<ul style="list-style-type: none"> ✓ Insurance policy requirements: <ul style="list-style-type: none"> ❖ Only borrowers on the loan are required to be on policy; ok if other vested owners on title are reflected on policy but not required ❖ Only borrower's first and last name required; middle initials/name not required but ok if reflected. Vesting not required ✓ Legal address must match appraisal and title (if a/k/a is used due to mailing address, zip code must match) NOTE: In lieu of matching the mailing address with the subject property address on an owner-occupied purchase transaction, the following is acceptable: <ul style="list-style-type: none"> ❖ A letter from the insurance agent stating: <ul style="list-style-type: none"> ▪ Insurance company policy does not allow the subject property address to be used prior to the effective date of the policy, AND ▪ That the mailing address will automatically change to the subject property on, or shortly after, the effective date of the policy 		<ul style="list-style-type: none"> ✓ Individual Policy—Only borrowers required to be on policy. Only borrower's first and last name required; initials okay but not required. Ok if other vested owners on title are reflected but not required. Vesting is not required ✓ Master Policy - Homeowners Association
Cancellation Clause	The policy must include a cancellation clause that states the minimum number of days in which the lender/servicer will be notified, in writing, prior to the termination of a policy. The notification period may be no less than 10 days and no more than 60 days from the cancellation date.	Liability and fidelity/crime insurance policies must include a provision that calls for at least ten (10) days written notice to the HOA or insurance trustee before the policy can be cancelled or substantially modified	
438 BFU Endorsements aka Loss Payable Endorsement	A standard 438 BFU endorsement allows the insurance policy to be assigned to another loan servicer. The endorsement must be referenced on the policy		
Insurance Company Rating	<ul style="list-style-type: none"> ✓ A.M. Best & Company: "B" rating or better ✓ Demotech: "A" rating Refer to Policy and Procedure 18- 01 for steps on obtaining and documenting the rating		
Other Acceptable Insurance Underwriters	<ul style="list-style-type: none"> ✓ Policies underwritten by a state's Fair Access to Insurance Requirements (FAIR) plan. Acceptable if it is the only coverage that can be obtained and the policy can be validated as being issued through the FAIR plan were the property is located. FAIR plans do not have a rating. ✓ Policies obtained through state insurance plans (e.g. Hawaii Property Insurance Association (HPIA), Florida's Citizens Property Insurance Corporation, or other state-mandated windstorm and beach erosion insurance pools) if it is the only insurance available ✓ A separate hurricane insurance policy issued by the Hawaiian Hurricane Relief Fund (properties located in Hawaii) as long as the companion non-catastrophic fire and extended coverage/homeowner's policy is obtained from a property that satisfies the rating criteria under Insurance Company Rating topic above. 		
Mortgagee Clause	ServiceMac, LLC ISAOA ATIMA P.O. Box 29411 Phoenix, AZ 85038-9411 NOTE: The above mortgagee clause does not apply to the HOA master policy covering a condominium project. (Fannie Mae transactions only)		